Transportation Investment Corporation

2015/16 – 2017/18
SERVICE PLAN

Transportation
Investment Corporation

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Accountability Statement

Transportation Investment Corporation's 2015/16 – 2017/18 Service Plan was prepared under the Board of Directors' direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan.

The Board of Directors is accountable for the contents of the plan, including what is contained in the plan and how it is reported. All significant assumptions, policy decisions, events and identified risks, as of January 14, 2015 have been considered in preparing the plan.

The performance measures presented are consistent with TI Corp's mandate and goals, and focus on aspects critical to the corporation's performance. The targets in the plan have been determined based on an assessment of TI Corp's operating environment, forecasting assumptions, risks and past performance.

Colin Hansen

Chair, Board of Directors

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Strategic Direction and Context

Strategic Direction

TI Corp's mandate, as defined in its **2015/16 Mandate Letter**, is to manage and ensure delivery of the Port Mann/Highway 1 Improvement Project (PMH1) and recover the capital, operating and maintenance costs of the project through the operation of an all-electronic toll system. TI Corp works closely with the Ministry of Transportation and Infrastructure to ensure financial targets and reporting requirements are met.

In alignment with government direction, TI Corp has adopted the Government of British Columbia's **Taxpayer Accountability Principles**. The organization's policies, processes and values align with the principles of cost consciousness, accountability, appropriate compensation, service, respect and integrity.

Operating Environment

Following one of modern electronic tolling's most successful customer registration campaigns, TReO, the innovative, electronic and customer-centric tolling system on the Port Mann Bridge, began operating in December 2012, as phase 1 of the PMH1 Project ("the Project") opened to drivers. A year later, phase 2 of the Project was completed and the full time savings associated with the Project were in place. Today, drivers are saving up to an hour a day compared to driving times before improvements.

During the 2015/16 fiscal year, the final on-corridor elements of the Project will be completed. In addition, TI Corp's transition from project management to an operating entity will be complete, with the organization's focus placed squarely on delivering a first class tolling operation, providing superior service at the best value to customers and taxpayers.

To support and confirm the financial sustainability of the organization and its mandate to recover all Project capital and operating costs, TI Corp's traffic forecast has been updated based on actual and observed traffic since December 2012. That traffic projection and associated financial forecast indicates continual long-term traffic growth and confirms TI Corp's ability to repay the Project debt by 2050, the date prescribed in the Concession Agreement.

To support the organization's financial sustainability, TI Corp will continue to look for new opportunities to optimize efficiency and reduce costs by building upon the early success of its highly automated TReO toll system.

In addition, TI Corp will continue its focus on customer service, by expanding value for its customers through innovative practices such as the recently established "combined billing" with Golden Ears Bridge, whereby TReO customers can now combine payment for both bridges on a single unified bill.

Performance Plan

Goals, Strategies, Measures and Targets

TI Corp's goals reflect its mandate with best-in-class measures, used by similar tolled bridges and roadways, adopted by the organization. These measures include safe and reliable corridor operation, financial efficiency and stability, and superior customer service – all supported by a driven, engaged workforce.

When the organization completes project construction in this planning period the goals will continue to be refined as it transitions away from construction to dedicated tolling operations.

In alignment with the Taxpayer Accountability Principles, an updated Code of Conduct has been approved and accepted by the Board of Directors. TI Corp continues to work with the Ministry of Transportation and Infrastructure (the Ministry) to develop an evaluation plan to measure the organization's performance against the Taxpayer Accountability Principles, as well as on a strategic engagement plan to hold TI Corp accountable for the outcomes and measurements identified by the Ministry.

Goal 1: Deliver the Port Mann/Highway 1 Improvement Project On Time and On Budget

Strategies

In alignment with the Taxpayer Accountability Principles of cost consciousness and accountability, the majority of Port Mann/Highway 1 Improvement Project is being delivered through a design-build agreement between TI Corp and the contractor, Kiewit/Flatiron General Partnership. Under this structure, the contractor is required to meet specific dates for the delivery of certain elements of the project. The final 10-lane completion of the Port Mann Bridge and the Highway 1 connections on either end of the bridge will be completed in 2015/16, as per the design-build agreement. Remaining off-corridor elements of the project will be completed in 2016/17.

To achieve these goals, TI Corp has set completion targets by fiscal year and measures progress against these targets. The design-build agreement structure places responsibility for construction-related cost overruns with the contractor for those activities under its direct control. Similar responsibilities apply to other contractors.

Specific financial targets have been set for all streams of activity by fiscal year and TI Corp measures and reports progress against these targets.

Performance Measure 1: Remain within the approved Capital Budget of $3,319

Performance Measure ($millions)	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target[1]	2017/18 Target[2]
Remain within the approved Capital Budget of $3,319	$3,199	$3,294	$3,310	$3,319	N/A

Performance Measure 2: Achieve percentage of completion target for design and build construction

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Achieve percentage of completion target for design and build construction[3]	96%	99%	100%	N/A	N/A

Discussion

The design-build contractor reports regularly to TI Corp on project progress. The percentage of completion is derived from an estimate of the progress of the particular segments of the project using verified progress billings.

The data used to measure financial performance is contained in TI Corp's annual financial statements, which are subject to annual independent audit.

The performance measure targets for on time and on budget completion recognize the project end date for all on-corridor Port Mann Bridge and Highway 1 work as written in the design build agreement. TI Corp expects the project to be completed within the approved capital budget. Earlier milestones for the opening of the Port Mann Bridge and Highway 1 improvements were met on time.

Goal 2: Ensure the Safe and Reliable Movement of Traffic and Goods along the Port Mann/Highway 1 Corridor

Goals of the Port Mann/Highway 1 Improvement Project include reduced congestion and travel times along the Project corridor, improved safety and accessibility, expanded transit service and an expanded transportation network to better accommodate high occupancy vehicles, cyclists and pedestrians. TI Corp is accountable to ensure these service delivery goals are consistently provided along the corridor.

[1] Off-corridor work to be completed in 2016/17 includes projects that are outside the design-build agreement but part of the overall Port Mann / Highway 1 Improvement Project.

[2] At the end of construction this performance measure will no longer be relevant and will be removed.

[3] This performance measure tracks all on-corridor bridge and Highway 1 improvements included in the design-build agreement.

Strategies

TI Corp's strategies to implement these benefits along the new Port Mann/Highway 1 corridor include:

- Managing corridor reliability and travel time predictability
- Ensuring corridor efficiency and minimizing disruptions to traffic flow

Performance Measure 3: Corridor Travel Time Savings

To benchmark this performance measure, sample routes, noted below, were driven in the 2012/13 reporting period before Port Mann/Highway 1 improvements were opened to traffic.

Forecasts and targets for these routes were analyzed after the opening of all new Highway 1 lanes in January 2014 and March 2014 to accurately measure the travel time savings associated with the Port Mann/Highway 1 Improvement Project.

Performance Measures	Pre-construction Roundtrip Actual[4]	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Route 1[5] 152 St to/from United Blvd	23 minutes	9 minutes 60% savings	40-50% savings	50% savings	50% savings	50% savings
Route 2[6] 200th St to/from Grandview Hwy	1 hour 47 minutes	49 minutes 54% savings	40-50% savings	50% savings	50% savings	50% savings
Route 3[7] 176 St to/from Brunette Ave	52 minutes	23 minutes 55% savings	40-50% savings	50% savings	50% savings	50% savings

Discussion

Travel times were measured in prevailing conditions by an independent traffic engineering firm. Routes were traveled several times to estimate the average travel time. Travel times will continue to be monitored on an ongoing basis.

[4] Round trip travel times are based on westbound AM and eastbound PM total travel times.
[5] Route 1: 152 Street at 108 Avenue, Surrey to/from United Boulevard at Lougheed Highway, Coquitlam.
[6] Route 2: 200 Street at 80 Avenue, Langley to/from Boundary Road at Grandview Highway, Vancouver.
[7] Route 3: 176 Street at 96 Avenue, Surrey to/from Brunette Avenue at Lougheed Highway, Coquitlam.

Performance Measure 4: Corridor Incident Prevention

A key objective of the Port Mann/Highway 1 Improvement Project is to improve the safety and efficiency of the highway corridor. Improved interchanges, new merging lanes, dedicated on and off-ramps and an overall reduction in congestion all contribute to a safe and efficient corridor.

To compare collision data from the improved Highway 1 corridor to data from the original corridor, information was gathered from the British Columbia Ministry of Transportation and Infrastructure's Collision Information System[8]. The data used to develop the baseline is from the five years prior to the commencement of Port Mann/Highway 1 construction; 2004/05 to 2008/09.

Performance Measure	Preconstruction Baseline	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Vehicle collisions on the PMH1 corridor per year	680 collisions	TBD[9]	25% reduction from baseline	25% reduction from baseline	25% reduction from baseline	25% reduction from baseline

Discussion

Targets of 25% reduction from the pre-construction baseline are a conservative forecast based on collision data TI Corp observed during 2013/14 on the improved sections of Highway 1 through Langley, Surrey and the Port Mann Bridge. It is anticipated that projections may change over time as TI Corp reviews observed data on comparable corridors as well as on the Port Mann/Highway 1 improvements.

Goal 3: Operate a Self-Sustaining and Financially Stable Organization

The Port Mann/Highway 1 Improvement Project is a self-funding project using all-electronic, open-road tolling technology. The Concession Agreement between the Province and TI Corp requires the Corporation to repay the Port Mann/Highway 1 Improvement Project debt by 2050 as well as fund the operations, maintenance and rehabilitation needed, and any necessary future improvements.

Updated traffic forecasts, based on actual and observed traffic since December 2012, indicate continual long-term traffic growth on the bridge and confirm TI Corp's financial sustainability and its ability to meet its financial obligations and deficit targets.

TI Corp will ensure it remains financially stable by implementing operational efficiencies, controlling administrative costs and achieving approved deficit targets.

[8] The Collision Information System database is populated by collision information gathered by police incident reports on the provincial roadways and received from ICBC.

[9] Because data required to populate the Collision Information System is obtained from ICBC and RCMP and relies on resources from those agencies, there is a known reporting lag of approximately one year for this data. 2013/14 actual data is expected in spring 2015.

As a public Crown corporation and as part of the Government of British Columbia's Public Sector Employer's Council (PSEC), TI Corp operates under PSEC's best practices for transparent and full disclosure of public sector executive compensation.

TI Corp has established financial metrics that set out the requirements and objectives for the organization. A full financial report is included in the Summary of Financial Outlook section of this Service Plan that highlights annual revenue, operating cost and deficit targets laid out in the organization's long term plan.

Strategies

TI Corp's strategies to operate a self-sustaining and financially stable organization include:

- Repay the Port Mann/Highway 1 Improvement Project debt within the prescribed time period
- Implement operational efficiencies and control administrative expenses to keep costs low for TI Corp and tolls low for customers
- Meet annual deficit targets

($ Millions)[10]	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Revenue	94	120	128	137	145
Administration Expenses[11]	10	8	8	8	8
Highway Operations, Maintenance	10	10	12	12	12

Annual revenue targets have been set that show a year over year increase in revenues that correspond with increasing traffic volumes on the Port Mann Bridge. At the same time, through careful financial management, administrative and operational expenses have been capped to limit overhead growth.

To ensure it remains on track, traffic forecasts will be updated and reviewed regularly.

[10] All figures have been rounded to millions of dollars ($M).

[11] Administration expenses include salaries, facilities administration and other costs (please refer to departmental operating expenses by type in the Financial Plan section).

Performance Measure 5: Operational Efficiency

A key measure of operational efficiency for an open road tolling system is the number of registered customers and the percentage of customers with registered accounts. Registered accounts with windshield decals and payment mechanisms on file are most efficient and cost effective because they are more accurate and payment and invoicing is fully automated, substantially reducing administrative and overhead costs.

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2016/17 Target
Per cent of regular users with registered accounts	83%	83%	80-85%	80-85%	80-85%

Discussion

TI Corp's goal of having 80-85% of regular users registered is consistent with best-in-class industry standards. With over 15,000 new accounts registered in any given month, priority will be to maintain and potentially increase this number in order to improve operational efficiency and remain a best-in class tolling system.

TI Corp launched combined billing with the Golden Ears Bridge in summer 2014 and will continue to promote email invoices and customer self-service online to ensure costs remain low while providing superior customer service.

Goal 4: Provide Superior Customer Service

Delivering customer service with respect, integrity and accountability is a key priority for TI Corp. As the organization shifts from construction to customer-focused toll operations, TI Corp's annual customer satisfaction survey has also transitioned to measure customer attitudes towards the toll system and TReO.

The TReO Customer Service Centres receive more than 43,000 phone calls, 4,900 walk-in customers and respond to approximately 3,000 customer emails and letters each month. To ensure the toll operator maintains a satisfactory level of responsiveness, respect and customer service, and that drivers have a satisfactory experience on the corridor, customer satisfaction is measured using regular monthly surveys.

Strategies

TI Corp's strategies to provide continued superior customer service include:

- Operate a toll system that is easy, electronic and efficient for customers
- Ensure customers are satisfied and receive superior service

Performance Measure 6: Overall level of satisfaction with the toll system and customer service

Performance Measures[12]	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Overall level of satisfaction with the toll system and customer service	88.1%	85%	85%	85%	85%

Performance Measure 7: Overall level of satisfaction with the Port Mann/Highway 1 improvements

Performance Measures[13]	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Overall level of satisfaction with the Port Mann/Highway 1 improvements	89%	85%	85%	85%	85%

Discussion

These performance measures and targets are derived from regular surveys of TReO customers conducted by TI Corp. Specific customer service performance targets from past service plans have been refined for 2015/16 – 2017/18 to capture overall levels of customer satisfaction.

Goal 5: Engage a Workforce that Drives Operational Success

TI Corp requires a highly qualified, diverse and flexible workforce in order to provide reliable, customer-oriented service for commuters and stakeholders that rely on the Port Mann/Highway 1 corridor.

Strategies

TI Corp's strategies to engage its workforce and drive operational success include:

- Supporting and investing in its employees
- Fostering a culture of fiscal responsibility, teamwork and innovation

[12] Performance measures for customer service have been refined to targets that measure overall levels of customer satisfaction.

[13] Performance measures for customer service have been refined to targets that measure overall levels of customer satisfaction.

Performance Measure 8: Employee satisfaction with TI Corp as an employer of choice that invests in and supports its employees

TI Corp monitors success in leading an engaged workforce through its annual employee survey, which covers a broad range of attributes including performance management and employee engagement.

TI Corp employees embrace the incorporation of the Taxpayer Accountability Principles such as accountability, service, respect and integrity into their daily responsibilities and performance plans. Specific initiatives to foster greater engagement include the creation of departmentally diverse and collaborative working groups such as the Vision and Values Working Group and the Community Engagement Committee.

The target for 2015/16 has been set at "previous result +2%" to reflect the desired level of continuous improvement to the score.

Performance Measure	2013/14 Actual	2014/15 Target	2015/16 Target	2016/17 Target[14]	2017/18 Target
Employee satisfaction with TI Corp as an employer of choice that invests in and supports its employees	72%	74%[15]	(Previous result +2%)	TBD	TBD

Discussions

Performance is measured using the organization's annual employee engagement survey conducted at the end of each fiscal year.

[14] Targets to be developed based on previous year's performance.

[15] The 2014/15 Target is being reported here in place of a forecast. The employee engagement survey will be conducted in early 2015 allowing actual results to be disclosed in the Annual Report.

Financial Plan

Summary of Financial Outlook[16]

Performance Measure ($ Millions)[17]	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Total Revenue	**94**	**120**	**128**	**137**	**145**
Tolling and Customer Engagement	16	16	14	14	14
Highway Operations & Maintenance	10	10	12	12	12
Technical Services	10	1	2	-	-
Finance & Corporate Services	5	5	5	5	5
Departmental Operating Expenses	**41**	**32**	**33**	**31**	**31**
Profit after Departmental Expenses	**53**	**88**	**95**	**106**	**114**
Allowance for Doubtful Accounts	2	1	1	1	1
Depreciation	34	44	50	51	51
Borrowing Costs	105	132	145	156	168
Other Operating Expenses	**141**	**177**	**196**	**208**	**220**
Net Loss	**88**	**89**	**101**	**102**	**106**
Accumulated Deficit	223	312	413	515	621
Total Debt	3,434	3,554	3,596	3,632	3,664

Departmental Operating Expenses by type are:

Contracted and Advisory Services	**31**	**24**	**25**	**23**	**23**
Administration Expenses					
Salaries	3	3	3	3	3
Administration & Other	5	3	3	4	4
Facilities[18]	2	2	2	1	1
Total Administration Expenses	**10**	**8**	**8**	**8**	**8**
Departmental Operating Expenses	**41**	**32**	**33**	**31**	**31**

TI Corp's Concession Agreement with the Province of British Columbia requires repayment of the Port Mann/Highway 1 Improvement Project debt by 2050. As such, TI Corp has taken a prudent, long-term approach to financial management.

[16] Given that TI Corp is transitioning to an operating entity, the operating expense categories have been restructured compared to prior years to better represent the organization.
[17] All figures have been rounded to millions of dollars ($M).
[18] Includes rent, utilities and janitorial services.

In 2014/15, TI Corp updated its traffic forecast estimates using actual, observed data from tolling operations as well as economic and population factors for the region. Those estimates indicate continual long term traffic growth on the Port Mann Bridge.

This updated traffic forecast is conservative and risk-averse as it is a key input to TI Corp's long-term financial outlook. The current financial outlook confirms the organization's ability to meet its obligations and repay the project debt by 2050.

To create predictable and affordable borrowing costs and to minimize interest rate exposure, TI Corp adopted a financial strategy that includes a mix of short and long term debt as well as interest rate hedging. TI Corp is reviewing its future financing strategies to continue to mitigate risk associated with interest rate volatility.

As TI Corps enters its third year of tolling, Management has confidence in the forecasts that indicate long term growth of traffic volumes, revenue and ability to meet its financial obligations. Cost and risk management strategies will enable the organization to work towards meeting its targets.

Capital Plan

The capital budget for the Port Mann/Highway 1 Improvement Project is $3.319 billion. This includes the construction cost of the design build contract with Kiewit/Flatiron General Partnership, contract works with other contractors, as well as interest charges incurred during construction, land rights payments, tolling infrastructure development and project management costs.

In addition to the PMH1 project above, minor expenditures relating to road rehabilitation (post project completion) and technology upgrades of approximately $1-2 million per annum are included in the capital plan.

Capital Spend ($millions)	2013/14 Cumulative Actual to March 31, 2014	2014/15 Forecast	2015/16 Target	2016/17 Target	Total
PMH1 Project	$3,199	$95	$16	$9	$3,319

Appendices

Appendix A: Hyperlinks to Additional Information

Corporate Governance

Details of TI Corp's corporate governance, including Board of Directors, governance principles and key accountabilities are available online at www.pmh1project.com/about-the-project/about-ti-corp/Pages/corporate-governance.aspx

Organizational Overview

Details of TI Corp's enabling statute, mandate, vision and values is available online at www.pmh1project.com/about-the-project/about-ti-corp/Pages/default.aspx

Appendix B: Summary of Goals, Strategies and Performance Measures

TI Corp's current objectives and targets on its strategies are contained in the following table.

Goals	Strategies	Measures	Forecast	Target		
			2014/15	2015/16	2016/17	2017/18
Deliver the PMH1 Improvement Project on time and on budget	• Set completion and financial targets by fiscal year	Remain within approved Capital Budget of $3,319	$3,294	$3,310	$3,319	N/A
	Through design-build agreement the contractor: • must meet specific dates for delivery of certain elements of project • is responsible for construction-related cost overruns	Achieve percentage of completion target for design-build construction	99%	100%	N/A	N/A
Ensure the safe and reliable movement of traffic and goods along the PMH1 corridor	• Manage corridor reliability and travel time predictability • Ensure corridor efficiency and minimize disruptions to traffic flow	Corridor travel time savings compared to baseline	40-50% savings	50% savings	50% savings	50% savings
		Corridor incident prevention (preconstruction baseline = 680 collisions)	25% reduction from baseline	25% reduction from baseline	25% reduction from baseline	25% reduction from baseline
Operate a self-sustaining and financially stable organization	• Repay the PMH1 Project debt within the prescribed time period • Implement operational efficiencies and control administrative expenses to keep costs low for TI Corp and tolls low for customer	Per cent of regular users with registered accounts (target = 80-85%)	83%	80-85%	80-85%	80-85%

Goals	Strategies	Measures	Forecast	Target		
			2014/15	2015/16	2016/17	2017/18
Provide superior customer service	• Operate toll system that is easy, electronic and efficient for customers • Ensure customers are satisfied and receive superior customer service	Overall level of satisfaction with the toll system and customer service (target = 85%)	85%	85%	85%	85%
		Overall level of satisfaction with PMH1 improvements (target = 85%)	85%	85%	85%	85%
Engage a workforce that drives operational success	• Support and invest in employees • Foster a culture of fiscal responsibility, teamwork and innovation	Employee satisfaction with TI Corp as an employer of choice that invest in and supports its employees	74%	(Previous result +2%)	TBD	TBD